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WASHINGTON, DISTRICT OF COLUMBIA

BUDGETARY CONTROL

A SYNTHESIS AND PROSPECTUS

For

NAVY GRADUATE COMPTROLLERSHIP PROGRAM
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PREFACE

A worth-while venture for a course of general study in the budgetary field, seemed to be one of summarizing the management method, budgetary control. This paper is devoted to that purpose. It is a synthesis of what is significantly basic and fundamental to the process. The criteria of significance has been "near" universal acceptance among the numerous authors referenced.

It is not enough to suggest an idea, but the idea must be sold. We live in a "market" world, not restricted to commerce as it is usually conceived, but invading into the "enterprize" which is day to day living. This is not a dispassionate thesis, on the contrary, I admit a slant towards the sale of those observations made and conclusions drawn. It should be noted; however, there has not been any tainting of truth of authoritative opinion to the end-your acceptance.

David I. Carter

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CHAPTER I

GENERAL

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GENERAL

The word budget originated in Gallic meaning sack. It was later Latinized retaining generally the same meaning; however, by 1760 it had acquired far greater significance and was defined as the annual financial statement which the British Chancellor of Exchequer submitted in behalf of the ministers to the House of Commons for approval.[1] In the eighteenth century undoubtedly via English immigrants, "budget" was imported into the colonies and became important in township administration. By 1921 forty-four states had enacted budget laws and in 1921 a national budget was adopted.[2] Proof of its importance in business and government during the past thirty years is immediately evident on even a casual survey of periodicals and books of the period.

A summation of authoritative definition.--Today budgetary control is a "method of scientific management"[3] as dynamically modern as the industrial expansion, standardization of production, and statistical study of trends and cycles. The myriad authoritative definitions found in newspapers, periodicals,

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[1] Walter F. Vich, "Why the Budget," The Journal of Accountancy, XL (September, 1925), p. 173.

[2] Edwin L. Thesis, "The Beginnings of Business Budgeting," The Accounting Review, (March, 1937), p. 43.

[3] Final Report of the International Discussion Conference in Budgetary Control, The International Management Institute, Vol. I (Geneva, 1950), p. 1.

CHAPTER I

PROBLEM

The area toward consideration in this research study. It was below labor relations (conflict). The term managing industry, by LEO it has adopted the similar definitions and are defined as the general (managed) statement which has further (Committee of management relationship in labor of the statement to the areas of concern for economy. In the mechanical manner, economically the digital laboratory, "manager" has learned like one relations and manage ment in research administration. In 1921 Professor Allen had another theory have and in 1921 a national report (at schools). Chief of the industrialists in business are professional during the year during study in developing problem or also a general survey of productivity and trade of the labor.

A research of productivity statistics--study management analysis is a review of productivity measurement as productivity curves as the individual economic (compilation of productivity and practitioner study of review as review. The review productivity publishing from is measurement, measurement

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[1] Allen L. Tiede, "Who Are Managers?" The Journal of Commerce, 21:1, p. 121.

[2] Harold J. Tonsig, "The Relationship of Business Industries," The Industrial Review, Issue, 1971, p. 42.

[3] Paul Wood, of the International Management Conference of Industry, The International Management Institute, 1921, Conference, Paris, p. 5.

and books of the past thirty years are testimony of the important place of budgetary control in modern management. However, even a superficial perusal of these definitions will indicate considerable divergence of opinion. Despite the seeming disagreement, contemporary authoritative definitions generally catagorize emphasis into three areas. These areas are planning, coordination, and control.

Some authors restrict their definition specifically to one of the three general areas above. Examples are Henry Bruere, C. W. Platt, and D. R. Anderson who conceive budgetary control as primarily planning. Respectively, these authors can be quoted: (1) "Budgeting in business is the summation of plan and judgment."[1], (2) "A budget is a plan. This is its most outstanding feature."[2], and (3) ". . .planning is the essential element of real budgeting."[3]

On the other hand, J. O. McKinsey, and H. Bruere and A. Lazarus emphasized the coordination area of budgeting. Respectively they said: (1) ". . . unprejudiced contemplation of all aspects to the end, coordination."[4] and (2) "In business the budget may be used to restrict, but it is chiefly of value as a measure of coordination and comparison."[5]

A final example of specific emphasis is made by J. E. Spinosa Cattela

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[1] Henry Bruere, "Budgeting-Realistic Method of Business Control," Forbes, (August 25, 1925), p. 663.

[2] C. W. Platt, "Budgetary Control," American Gas Journal, (October 7, 1922), p. 327.

[3] D. R. Anderson, Practical Budget, (Chicago: Richard D.Irwin, Inc., 1947), p. 2.

[4] J. O. McKinsey, "Coordination of Sales, Production, and Finance," University Journal of Business, (September, 1924), p. 399.

[5] H. Bruere and A. Lazarus, Applied Budgeting, (New York: McGraw-Hill Book Co., 1929), p. 5.

and David R. Anderson,[1] who considered budgeting to be solely a control device. Respectively, these authors said:

> These standards, embracing all activities of the organization would together form a "plan of campaign" or "budget" giving the directions and indications for future management and providing at the same time, the standards by which the actual results could be measured.[2]

> . . . control of the activities of a business is best exercised by setting standards of performance for each responsible individual in the organization and then checking actual performance against standards and determining the reasons for the differences.[3]

While specific authors have emphasized particular aspects of budgetary control others have more generally summed up the process with equal significance attached to each of the three areas discussed above. These definitions more closely approach a true identification of budgetary control. Examples of these definitions are:

> . . . careful planning and control of all functions of the enterprize. . . .genuine desire on part of the entire organization to keep as close to the previously chartered course as possible, to accept responsibility for doing so, to check actual performance against plans. . . .[4]

> . . . the formulation of a plan. Procedures for checking on the course of actual operation in relation to budgeted operations. Hence, variations which arise can be quickly spotted and investigated, responsibility can be localized, and corrective measures can be taken.[5]

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1 J. Brooks Hecket and J. D. Willson, Business Budgeting and Control, (New: Ronald Press, 1955), p. 3: "'Budgeting' and budgetary control are generally used interchangeable.'"

2 J. E. Spinoza Cattela, Efficient Business Management Through Budgeting and Budgetary Control, (London: MacDonald and Evans, 1948), p. 1.

3 David R. Anderson, Practical Comptrollership, (Chicago: Richard D. Irwin, Inc., 1947), p. 62.

4 John H. MacDonald, Practical Budget Procedure, (Chicago: Richard D. Irwin, Inc., 1947), p. 2.

5 H. H. Maynard and W. C. Weidler, An Introduction to Business Management, (New York: Ronald Press, 1951), p. 71.

> . . . budgetary control involves. . .(1) the statement of plans of all departments of the business for a certain period of time in the form of estimates. (2) the coordination of these estimates into a well balanced program for the business as a whole. (3) the preparation of reports showing a comparison between actual and the estimated performance and the revision of the original plans when these reports show that such a revision is necessary.[1]

In light of the foregoing, budgetary control can be said to be a process incorporating a planning phase, a coordinating phase, and a control phase. Of the three phases there is no clear delineation nor does one phase outrank another in importance. Rather they tend to supplement and support each other to a final end.

The end towards which budgetary control is directed.--A theory of budgeting was probably best expressed by V. O. Key, Jr., who said, "On the most significant aspect of public budgeting, i. e., the allocation of expenditures among different purposes so as to achieve the greatest return, American budgetary literature is singularly arid."[2] A similar concept was expressed by the Policyholders Service Bureau of Metropolitan Insurance Company, who said that budgeting is foremost,". . . the wise apportionment of resources in a manner to yield the most lasting benefit."[3] These concepts must be clearly understood and adhered to in the budgetary process. They are fundamental and basic to successful budgeting. They are the end towards which budgets are directed.

Budgetary control as it is to-day.--The world of today thinks of "huge" as common place, "immense" as customary, and "gigantic" as usual. Billion

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[1] James O. McKinsey, Budgetary Control, (New York: Ronald Press Co., 1923), p. 7.

[2] V. O. Key, Jr., "The Lack of a Budgetary Theory," The American Political Science Review, (December, 1940), p. 1137.

[3] Budget as an Aid to Management, A Report Prepared by the Policyholders Service Bureau, Group Insurance Division, Metropolitan Life Insurance Company, (New York), p. 2.

dollar a year businesses are noted with no particular concern; the government establishes executive departments which are larger than have ever been known but to no amazement of the public. Apportionment of funds and resources within these organizations impose crucial decisions on top executives.

Budgetary control is the primary weapon shouldered by the administrator as he confronts the "Goliath" that is modern organization. There is considerable difference among administrators as to the correct employment of this weapon. The difference stems primarily from considering it a method of planning as opposed to a method of control. Generally weight seems to be with favoring it as a planning device; however, the point to be made here is that it is the primary tool employed in operation of the modern large organization.

CHAPTER II

THE ESSENTIALS AND OBJECTIVES OF BUDGETARY CONTROL

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The essentials of budgetary control.--The notion that organizations "budget first and pray afterwards"[1] is far from accurate. On the contrary, even from the offset requisites exist that if violated exert significant influence on the ultimate success of the budget. Authors on the subject of budgeting have listed numerous essentials inherent to the process. Among these the below itemized requisites are most generally noted. This universal feature establishes their importance to successful budgeting. A short phrase listing of these essentials is;

1. Definition of policy
2. Sound organization
3. Good accounting system
4. "Sold" management
5. Flexibility
6. Comprehensiveness
7. Periodicity

Organizations operate as a result of myriad policies, decisions, and orders, eminating from multi-levels. Ensuing performance ranges from mere reflect action to broad sweeping judgment that influences large segments of the

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[1] John H. MacDonald, Practical Budget Procedure, (Chicago: Richard J. Irwin, Inc., 1947), p. 2.

organization. In view of the wide range of policy influence, it is apparent that in the final analysis budgeting must be established on clear objectives. Pertinent to this, J. O. McKinsey said, "It is essential that the executive realize that budgets are not merely a compilation of figures, but rather statements of fundamental policies expressed in the tangible form of contemplated activities."[1]

Basic to budgetary control is good organization. This includes not only understanding of objectives but clear lines of authority. Of the first, a London accounting organization said, "It is important to ensure that the scheme of Budgetary Control is properly explained to each person concerned with its operation. . . ."[2] Of the second, clear lines of authority enables appropriate criticism to be made of the results of operations and further enables authority to be established commensurate with responsibility. The prevalence of huge organizations in modern life causes this last aspect to be a principle feature of budgeting. The Institute of Cost and Works Accountants spot-lighted this when they said of budgeting, "To act as an instrument of management policy whereby the extension of the scheme to lower levels of management enables top management to decentralize responsibility and centralize control."[3]

A good accounting system is a paramount feature of budgeting. In many respects budgeting is accounting: for planning is the expression of objectives in the common denominator, dollar; coordination is relating of programs by

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[1] J. O. McKinsey, "Coordination of Sales, Production, and Finance," University Journal of Business, (September, 1924), p. 405.

[2] An Introduction to Budgetary Control, Standard Costing, Material Costing, and Production Control, The Institute of Cost and Works Accountants, (London, 1950), p. 8.

[3] Ibid., p. 17.

dollar amounts; and control is the acceptance or refusal of action through the dollar medium. It is of considerable importance however that estimates of action come from the executive and not from the accountant. The accountant must be ready to assist but never in the capacity of a regulator. Estimates must come from the authority who in the final analysis is responsible for compliance.

A second feature necessary to the accounting system is "tailoring." This must be not only to the organization but to the period. By having accounting "fit" the organization, responsibility can be assigned with authority. By "fitting" the period, accounting can relate results to estimates without which there would be little control and only limited use of the past as a guide for future operations.

A management method cannot succeed without acceptance by those employing it. For this reason the essential "sold management" is prerequisite to successful budgeting. "Sold management" envisages not only the support by individual executives but also harmonious collaboration between all executives. Then and only then is the final degree of budgetary success achieved. A fuller discussion of this human aspect of budgeting is taken up in chapter three.

It is impractical to anticipate exact compliance to budget estimates. The world is a world of change and budgeting must be realistic, for this reason a fifth requisite of budgeting is flexibility. This is not leniency but realistic acceptance of changing conditions and circumstances. Appropriate flexibility will greatly further the effectiveness of the budget.

Budgetary control should incorporate all agencies of the organization including both line and staff. Many businesses today use limited budgetary control encompassing only line organizations. They support this action on the grounds that staff exists solely as an aid to line and itself earns no clearly definable profit and therefore cannot be budgeted. This explanation neglects

that budgeting exists to coordinate all aspects of the organization to a final end. For this reason budgets must be comprehensive.

Finally budgetary control has a requirement of periodicity. The numerous authors of budgeting referred to in this research gave only scant appraisal of this essential. Generally they said that the budget period must fit the accounting period. A typical example of this attitude is expressed by Floyd H. Rowland who said, "The overall budget should conform to the fiscal period."[1] In the face of general authoritative opinion to the contrary, the author feels that accounting should correspond with the budget period not vica versa. The period of budgeting should be in accord with the normal program cycle, despite its variation from the conventional one year period common to accounting.

The objectives of budgetary control.--The ultimate end to which budgetary control is directed is discussed in chapter one; however, in addition to this abstraction, there exists numerous secondary or supplementary objectives. The secondary objectives, by virtue of their concreteness, are a more substantial reason for the comparatively recent widespread usage and interest in budgeting. Specifically itemized these secondary purposes would present an imposing list; however, it is appropriate in this study to generally group them as follows:

(1) To enhance efficiency

(2) To preclude minor waste

(3) To define policy

(4) To coordinate effort

(5) To communicate objectives

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[1] Floyd H. Rowland, "Using Budgetary Control as an Operating Plan," Accounting, Budgeting, and Cost Control, Edited by Controller's Institute of America, (New York, 1948), p. 25.

(6) To stabilize operations

(7) To compel job analysis

(8) To decentralize responsibility

Efficiency is a basic objective of budgeting. The numerous periodicals and books referred to in this research contained as representative comment: (1) "To provide a measure of efficiency. . . .", and (2) ". . . restrains unwise expenditures."[2] From these quotations it is evident that efficiency is generally conceived to be an important objective of budgeting.

The point to be made here is that efficiency is not accomplished by arbitrary cutting of expenditures and elimination of programs. Rather it is achieved by improved planning and coordination. An apposite illustration of this point was made by the Metropolitan Life Insurance Company, who said, "From the standpoint of adjustment, the budget places less emphasis on the curtailment of expenditure--which may lead to a pennywise and pound foolish policy --than to wise apportionment of resources in a manner to yield the most lasting benefit."[3] An actual example of this concept was pointed up in a case given by Mr. Roger Brown, Comptroller of the Chesapeake and Ohio Railroad Company.[4] Mr. Brown said that in face of a mandatory fifty million dollar cost cut that the Railroad had not instituted an effort towards nickle and dime savings, but had handled the job with broad brush action, i. e., deiselization, shortening of railway lines, etc.

In summary, efficiency is an objective of budgeting; however, it

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[1] The Instutute of Cost and Works Accountants, op. cit., p. 19.

[2] John H. MacDonald, "Business Control Through Budgeting," Paper Trade Journal, (January 19, 1928), p. 58.

[3] Budget as an Aid to Management, op. cit., p. 2.

[4] Statement by Roger Brown, presentation to the Navy Comptrollership Class at George Washington University, September 15, 1955.

emanates not from erratic or arbitrary cost cutting, but primarily from considered planning and coordination.

A second and closely related objective of budgeting is to preclude minor waste. Modern organizations are not only large but complex. By reason of their complex nature they foster widespread minor wastes. These minor wastes, totaled, represent considerable useless expenditure. Comprehensive budgeting pervades all aspects of the firm. It establishes responsibility for cost consciousness and stands as a measure to evaluate variation. In so doing waste is reduced to a minimum.

The budget is a device whereby the top executive can define and prescribe organizational policies and objectives. Estimates flow to the top executive from the individual departments and agencies and represent an appraisal of their capacity and efficiency. Coordination of these estimates produces a unified picture of the capacity of the firm as a whole. It necessarily follows that the estimates must be modified somewhat to enable a "fitting together of the pieces." However, this synthesis is the process by which the parts become a whole. The "whole" is the plan of the organization. From it, policies can be set, decisions made and orders given. Of this J. B. Hecket and J. D. Willson said, "The fundamental purpose of budgetary control is to find the most profitable course on which to travel and secondly, to assist management in remaining on this course."[1]

Having provided the process by which the organization's objectives can be established, the budget then functions to coordinate all effort to these ends. This coordination exists at managerial, supervisory, and worker levels. It is "harmony in concert with objective."

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[1] Hecket and Willson, op. cit., p. 3.

Studies not into results or continuing over months, and informally inter-
account timely and accomplishment.

A period of correctly related objectives is indicating it is previous
state needs. Action organizations are not only large but complex. It requires
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a whole. The "whole" is the sum of its interrelation. From it, policies can
be set, decisions made and reduce given. Of this i. e. Barnard and i. e. Gulick
can note, "the fundamental purpose of budgetary control is to plan the most
profitable course in which to travel and economically, to assign responsibility to
anything on this course."[1]

Having provided the process of which the organization's objectives can
be accomplished, the budget then functions to concentrate all effort to these
ends. This concentration acts as measurement, accountancy, and guide levels.
It is "because it correct with capacity."

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[1] Barnard and Gulick, op. cit., p. 1.

A plan is only as good as it is understood. The budget ". . .presents in cold figures executive judgment."[1] In so doing it publishes a "plan of campaign."[2] This is not merely the plan in wide scope, but the plan reduced to parts and segmented into groups of responsibility. All concerned are encouraged to be cognizant of their part of the plan, and in so doing budgets contribute to final accomplishment of this plan.

"There is in budgeting a promise of stabilization."[3] By budgeting, a plan is decided upon and established for compliance by the entire organization.. It might be said that any unanticipated eventuality would render the budget useless, and since the unforseen is to be expected, that budgets are impractical. However, this is not the case, budgets reveal variation and thereby act as safety signals. Budgets provide a basis for revision of plans without which it would be necessary in many instances to act without orientation. To stabilize is a salient objective of budgeting.

A seventh broad category of budgetary objectives is that of compelling the department or agency head to analyze his job. These executives are attached to a "quick and immediate" milieu. Subjective demands rule out all but little time for generalized study of their assignments; however, this is a responsibility equally as important as the many more customary and demanding duties. That budgeting is an incentive to self-analysis is important among its advantages and objectives.

A final and critical objective of budgeting is to decentralize responsibility. In present day organizations top executive capacity is minute in

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[1] Bruere and Lazarus, op. cit., p. 3.

[2] Spinosa Cattela, op. cit., p. 1.

[3] Bruere, op. cit., p. 663.

plan is only as good as it is accepted. The budget "... measures its total fiscal impact upon the economy." It is by means of a "plan of campaign." This is not merely the plan in state scope, but the plan produced by parts and accepted into "areas of responsibility." It encourages the knowledge on the subsystem of their part of the plan, and in so doing induces cooperation in final accomplishment of this plan.

There is in budgeting a problem of "rationalization." By budgeting, a plan is finished form and materialized for submission by the entire organization. It could be said that any unrationalized responsibility would render the budget useless, and since the outcomes is to be accepted, the budgets are forcefully so. However, this is not the case, budgets reveal motivation and thereby act as study objects. Budgets provide a basis for measure of risks without, which it would be necessary to rely heavily on our actions motivations. To stabilize is a primary criterion of budgeting.

A secondary broad category of budgetary objectives is that of simplifying the organization so among that it achieves its job. These economies are achieved in a "human and financial sense. Budgeting therefore role can all be traced also for rationalizing study of these relationships; however, this is a responsibility of budgets as discovered as the only area necessary for dependable choices. This information is an necessity in well-rationalized is involved among the alternatives and objectives.

Final and critical alternative of budgeting is to accomplishing responsibility. It provides the organizations top economics responsibility is stated to

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[1] Jones and Pasewark, op. cit., p. 7.

[2] Jones Daniels, op. cit., p. 14.

[3] Perry, op. cit., p. 63.

relation to their responsibility. Authority can be delegated, but responsibility cannot. Therefore, even when these executives assign authority to subordinates, they continue to shoulder the ultimate responsibility for their agent's actions. As protection the authority delegated must be controlled. The budget is a highly suitable device for exacting control while at the same time decentralizing authority. The prevalence of budgeting today is without a doubt testimony of its adequacy for this purpose.

CHAPTER III

BUDGETARY FUNCTIONING

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Budgetary control is a perpetual and concurrent phenomenon.-- Major General David M. Shoupe, Fiscal Director of the U. S. Marine Corps clearly pointed to these characteristics of budgeting when he said during a talk to the 1955-56 Navy Comptrollership class, "At present the Marine Corps is reviewing its 1952, 1953, 1954, and 1955 budgets. It is carrying out the 1956 budget. It is developing a 1957 budget and further it is establishing guidelines for its 1958 budget."[1] A graphic representation of the perpetual and concurrent characteristics of budgeting might be portrayed by a revolving wheel. The wheel itself describes the perpetual aspect of the process. Arthur Smithies, though he called it the process of decision-making, defined budgeting as follows: (The definition distinctly marks the perpetual feature of budgeting.)

> The process of decision-making by an organization can be represented as a continuing process consisting of six stages; determination of policy objectives, planning, programming, budget formulation, budget (or program) execution, budget (or program) review.[2]

The second trait of budgetary control, concurrency, is suggested by the revolution of the wheel. At any one moment within the organization all phases

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[1] Statement by Major General Shoupe, presentation to the 1955-56 Navy Comptrollership Class, George Washington University, December 8, 1955.

[2] Arthur Smithies, The Budgetary Process in the United States, (New York: McGraw-Hill Book Co., 1955), p. 21.

of budgeting may be taking place. Plans are being formulated. The integral parts of plans, programs, are being developed for submission and integration into the budget. Money is being spent in current operations within the limitations of prescribed allotment. And review of past budgets are being made to insure appropriateness of expenditures.

A novice introduced to the budget is justly frustrated by the complexity of the process. But the individual parts are the trees and should never be mistaken for the forest. Each phase while neither clear-cut or justifiable unto itself, is a critical feature of the whole. The parts supplement, support, and form budgetary control. They "revolve" concurrently as a portion of the "wheel" that represents the perpetual process of budgeting.

Budgetary control and human relations.--Before specifically treating the human aspect of budgeting, it is worthwhile to point up some of the misunderstanding relative to the process and how this has affected its growth, use, and acceptance.

While budgets have been used for well over three hundred years; budgetary control, as a management method, came into being only about thirty years ago. Business and government alike received the infant with open arms; it was the scientific management method.

Despite the cordiality it received, budgetary control was a misunderstood child. Accountants seized the method and set about "putting it into effect." Line personnel, little advised, went along with budgeting. Top management watched and complimented themselves that the most up-to-date methods were being employed.

The crash of twenty-nine set the stage for an early end of budgeting. Business faltered and government was beseiged to cut taxes and throughout both spheres budgetary control became the "whip" to force standards, to economize.

In 1932, Henry D. Minich, controller for L. C. Smith and Corona Typewriter, Inc., in an address to the Controller's Institute of America said that the budget's principle value was its use as a strategy of management to provide a periodical criticism of division heads.[1] A similar statement was made in 1934 by I. B. McGladrey, ". . . budgets are usually most effective when they are stopping someone from spending some money or inaugurating some program he greatly desires. . . .it might be said that their value are about in inverse ratio to their popularity."[2] These two statements indicate the attitude of business and government, during the period, relative to budgeting. Budgets existed to control.

During the ten years after 1930, budgeting earned itself a reputation that was almost its undoing. Budget connoted discipline, force, and restriction. Even today there is considerable training directed to overcome the backlog of this experience by those who have had to work with budgets. An example is a statement by P. B. Crouse, "It is important to point out that in this plant we do not use standards to tell the operators how many pieces they must produce."[3] Another example of the modern concept of budgeting, Gardner and Moore in their book Human Relations in Industry said, ". . . obtaining high morale by conscious effort to set positive goals to which employees could subscribe and moreover helping employees in various ways to achieve these goals."[4]

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[1] The New York Times, September 21, 1932, p. 14.

[2] I. B. McGladrey, "Budgetary Control," Credit and Financial Management, (September 1934), p. 20.

[3] P. B. Crouse, "A Modern Application of Cost and Budgeting Controls," Automotive and Aviation Industries, (July 15, 1944), p. 14.

[4] Burleigh B. Gardner and David G. Moore, Human Relations in Industry, (Chicago, Richard D. Irwin, Inc., Revised Edition, 1950), p. 353.

In summary, budgets were initially conceived as methods of control; today, while they are still used to set goals, the human aspect of budgeting is keenly appreciated.

Analysis of the human aspects of budgeting can be facilitated by use of a somewhat unrealistic assumption. The assumption is that budgetary affect can be described as occuring in three definable personnel groups within the organization. These groups are "users", "makers", and "conformers". While there is not a clearcut line between these groups, for the purposes of this paper the assumption is highly appropriate.

The "user" of the budget is top management who is responsible for overall results. Management must be "sold" on budgeting to the extent that it endorses the method and supports it. On the other hand it must not be "oversold" and expect compliance to standards without variation. Budgets in this respect must not replace judgment. A final comment, it is enough to meet the standard and should be complimented no less than the beating of a standard.

The "makers" of budgets are the technicians who build them including engineers, statisticians, and accountants. There is great tendency on part of this group to become theoretical beyond realism. The budgets they build must be workable in the practical world of common usage. For this reason there is urgent need that makers of budgets be in close association with conformers to budgets.

"Conformers" to budgets are generally workers, even though this group is not as clear cut as the other two above. This group receives the pressure of budgeting. Standards are set to which they are obligated to conform. This is not only an impetus to conform but an impetus to change. Since all decision and action is directed to this final point, this becomes the critical zone

In summary, students were initially considered as matrices of ability, values, which they are still seen to be and yet, now based upon or interpreted in terms of structure.

Implicit in the study models of behavior can be established in terms of a somewhat consistent assumption. The assumption is that behavior which can be measured is governed in these situations necessarily depends within the constraints. These groups are "teacher", "student", and "environment". Still there is not a clearcut line between these groups, for the purposes of this paper the assumption is highly questionable.

The "worth" of the budget is not measurable and is responsible for every-all results. Management must be "sold" on budgeting on the grounds that it conserves the action and supports it. On the other hand it must be "responsible" and project conditions to minimize without restriction. Models in this respect are not a-priori judgment. A final decision, it is enough to work the standard and should be constructed on less than the building of a skyscraper.

The "makers" of models are the administrators who build their functions, conferences, consultations, and assessments. There is great tendency on part of this group to ignore theoretical bypass results. The reasons they build such or modifies in the practical sense of common sense. The this reason there is larger need that models of behavior be in close consultation with conferences in schools.

"Conferences" in models are generally useless, even though this group is not as close but as far stage the score. This group monitors the pressure of production. Conferences are not to which long are obligated to conform. This is not only an "opening of another" but as formed in change. Time and location and action is limited to our from point, this reviews the critical area

of budgeting.[1]

"Budgets may in the long run tend to decrease efficiency by reason of the human problems."[2] In light of this statement and the discussion above it is worthwhile to consider the key negative affects of budgets and point up how they may be offset. Budgeting tends to cause interdepartmental strife. The pressures of meeting standards causes departmental heads to consider solely their own departments even to the detriment of the organization as a whole.

Secondly, makers and conformers are pitted against one another. This is especially true if the makers fail to accept a practical line approach when developing the budget. A third key negative affect of budgeting is the method in which it is applied. If the user fails to be realistic in considering the conformers results, pressures are certain to build up that will greatly offset any other advantages of budgeting.

How then can budgets be used to a best advantage? First there must be participation by the conformers in developing the budget. This must not be a pseudo-participation but rather whole-hearted with determination on the part of the maker to understand the conformer's problems. Second, training must go on at all levels. Users must appreciate the nature of this management method and employ it to a best advantage. Makers must cooperate and coordinate their efforts with those of the conformers, and finally conformers must accept the budget as a fair appraisal of their capabilities and set about in an all out

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[1] John D. Glover and Fritz J Roethlisberger, "Human Reactions to Standards," Comptrollership in Modern Management, Edited by Thornton F. Bradshaw and Charles C. Hull, (Chicago: Richard D. Irwin, Inc., 1950), p. 183.

[2] Hecket and Willson, op. cit., p. 67.

effort to meet these goals.[1]

In light of the foregoing, it is appropriate to quote a statement from Gardner and Moore's book on human relations in industry:

> There is no upward limits to the size of organization which could be integrated and infused with high morale when conscious, deliberate effort was made by management to achieve these ends.[2]

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[1] Chris Argyris, "Human Problems with Budgets," Harvard Business Review, Vol. XXXI, (January-February, 1953), p. 108.

Author's note: Chris Argyris's article is the result of a research made on this problem by the Comptrollership Foundation.

[2] Gardner and Moore, op. cit., p. 353.

CHAPTER IV

A "BUDGET" PROSPECTUS

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"'Gladstone said, 'Budgets are not merely affairs of arithmetic, but in a thousand ways go to the root of prosperity of individuals, the relation of classes, and the strength of kingdoms.'"[1]

In as much as budgetary control is a scientific tool of management, it is appropriate to appraise the future typical organization before undertaking to anticipate its management methods. Organizations of today bear faint resemblance to those of fifty years ago. First, in size they are larger by far than their forebears. There are great differences in many other respects. For instance, specialists are the order of the day. These individuals are experts in their fields but not fully equipped and advised outside their own spheres. Also organization "superstructure" towers above the worker's level and staffs alone outnumber the personnel employed by the average firm of yesterday. A last example, is that top executives shoulder responsibilities that would have been deemed beyond reason fifty years ago.

The advantages of the modern representative organization are manifold. Sheer size places these firms in favorable competitive position as compared with smaller firms. Other advantages exist in marketing, purchasing, distribution, and research.

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[1] Budget as an Aid to Management, Op. cit., p. 1.

CHAPTER IV

A "BEHAVIOR" INVENTORY

"Behaviors exist. Behavior are not merely artifact of verbal habit, but is a thinkable step in the work of taxonomists of the disciplines, the relation of classes, and the analysis of behavior."[1]

It is such an inventory which is a preliminary step of management. It is appropriate to separate the former original organization before undertaking to establish the management methods. Organizations of those that deal with human beings in terms of their jobs are, first, to see how they are larger in the whole basic functions. There are great differences in many ways involved. For instance, complaints are the order of the day. These functions are supply in basic fields but not fully analyzed and advised towards their systems. The maintenance functions have also the necessary level and state alone because the personnel assigned to the average line of maintenance. Last but not, it was the accounting and the responsibilities that would have been based upon their years ago.

The advantage of the having responsibilities manufacturing are modified. These are given these lines to increase productivity problems in supplying the better lines. Other management work is supplying, monitoring, delivering and so forth.

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[1] Sidney Hook, Logic of Discovery, Pp. 222, p. 1.

A demanding question of today's student of administration is, "How large can an organization become?". The million mark is commonplace and the once remote billion mark is relatively frequent in dollar evaluation of business size. It might be submitted that governmental anti-trust laws are the bulwark that will contain business growth. The question immediately follows, "'Is enormity alone a violation of trust?' and if so, 'How large is too large?'." There are no answers to these questions, but in the opinion of the author large organizations will remain large, grow larger, and become more prevalent.

In the light of this conclusion, it's horizons unlimited for budgeting. Executives cannot possibly comprehend the detail functioning of each level and segment of tomorrow's typical organization. The budgetary process provides apt solution to this problem. Estimates made at various levels and forwarded to the executive level present a consolidated proposal of action and appraisal of capacity. This information enables intelligent decision and action.

Secondly, a feature inherent to size is that at the top, responsibility is profound relative to capacity. The executive must delegate authority. Since responsibility cannot be delegated, there must be means of control to curb irresponsible action. This is accomplished to a great degree by budgetary control.

That budgetary control is an answer to those needs mentioned above, disregarding any other contribution, is justification that it will be the basis on which future management systems will be built.

A comprehensive evaluation of budgetary systems is a multidimensional job, which lacks an accepted evaluation technique. The critical path is recognized and the same common utilities must be adequately employed to obtain evaluations of these base plans. It would be adaptive, and governmental anti-trust laws are the values that will assure inclusive planning process. The question immediately arises, "Is anything along a evaluation of issues" and if so, what does it say issues?". Clearly has to answer to these questions, but in the analysis of the author these preconditions will provide issues, are issues, and assure some precision.

In the light of this conclusion, it's believe additions to evaluating. Functions cannot readily correspond the detail functionality of each level and segment of hierarchy linked transformation. The intuitive process involves all solution to this problem. Tentative work of various levels and directed to the effective level creates a coordinated hierarchy of action and hierarchical of complexity. This information analysis indications analysis are active.

Finally, a feature inherent to this is that is used as the, approximately-by is problem relative to capacity. The economics case relevance actually. Some responsibility cannot be adequately, there must be means of control or such transformative action. This is evaluation is a great degree of budgetary control.

That budgetary control is an answer to that based conditional force. Alternative are other constraints, so is a question that it will be the table of final future management systems will be seen.

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